

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**January 21, 2004**

The Capital Projects and Bond Oversight Committee met on Wednesday, January 21, 2004, at 8:00 AM, in Room 131 of the Capitol Annex. Senator Robert Leeper, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Leeper, Co-Chair; Representative Jodie Haydon, Co-Chair; Senators Virgil Moore and Jerry Rhoads; Representatives Paul Marcotte, and Jim Wayne.

Guests: Sandy Williams and Roger Recktenwald, Kentucky Infrastructure Authority; Jamie Link, Department for Facilities Management; Dr. Rice Leech, KY Department of Public Health; and George Burgess, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Kevin Mason, Bart Hardin, and Dawn Groves.

A motion to approve the December 16, 2003, minutes was made by Representative Marcotte, seconded by Representative Haydon and passed by voice vote.

Senator Leeper asked Mary Lynn Collins, Committee Staff Administrator, to review the correspondence and information items included in the meeting materials. Ms. Collins noted the first correspondence item was quarterly construction reports by the Finance and Administration Cabinet, Murray State University, the University of Kentucky, the University of Louisville, and the Administrative Office of the Courts. She also noted other items in members' folders: the monthly Lottery Corporation financial report, a copy of the General Fund Budget Reduction Order 04-01, proposed legislation relating to the jurisdiction of the Capital Projects and Bond Oversight Committee, and a staff update on various capital projects.

Senator Leeper next called on Jamie Link, Acting Commissioner for the Department for Facilities Management, to present the Finance Cabinet's monthly report to the Committee. Mr. Link said the first item submitted for the Committee's consideration related to a blockhouse at Fort Boonesborough State Park, which was destroyed by fire February 2, 2002. He reported that the Finance Cabinet recently allocated \$59,670 from the Emergency Repair, Maintenance and Replacement Account to

supplement an insurance payment of \$481,590 to replace the blockhouse. The total scope of the project is \$541,260.

Senator Leeper indicated that allocations from the Emergency Account must be reported to the Committee within 30 days, but no other action is required.

Mr. Link next reported on an allocation from the Capital Construction and Equipment Purchase Contingency Account for a project authorized by the 2000 General Assembly for Big Bone Lick State Park. Mr. Link explained that under the project authorization, Land Acquisition and Park Improvements (\$1,000,000 bond funds), the Department of Parks had purchased land adjacent to the park on which to build a visitors center and new administrative offices. He said that due to unforeseen site conditions, the contingency built into the project's budget had been depleted as had some of the project budget for furnishings. He said the Finance Cabinet had recently approved an allocation of \$55,000 from the Contingency Account to assure adequate funds would be available to complete the project. He also noted that last year, the Committee approved an allocation of \$60,000 from the Contingency Account in order to accept the low construction bid for the visitors center, and had also reviewed a contribution of \$127,000 from the Boone County Fiscal Court for the project.

In response to a question by Senator Leeper, Mr. Link indicated that during construction, low load bearing soil was encountered and had to be removed. Even though the excavation work had been bid as unclassified (meaning "as is"), the excavation subcontractor, who has since gone bankrupt, was unwilling to do the additional work without more money. At that point, the general contractor stepped in to do the work, but because of weather conditions, additional problems were encountered.

Representative Wayne asked if there were sufficient funds to complete the project. Mr. Link indicated that he believed this to be the case. The site is now stable, and the estimated completion date is June or July of this year. The revised scope of the project is \$1,242,000.

Representative Wayne asked how the building site was acquired, and Mr. Link responded that the property, a former mobile home park, was purchased without going through eminent domain proceedings. Representative Marcotte said he was glad this project was finally moving forward.

Mr. Link then presented an unbudgeted federally-funded project for the Department for Public Health, Cabinet for Health and Family Services. The estimated cost of the proposed project, Bio-Terrorism Preparedness and Response Information Technology, is \$2,850,940, and the Cabinet is proposing to fund the initiative by using a portion of an \$18 million federal grant the state received earlier this year for bio-terrorism preparedness. Dr. Rice Leach, Commissioner for the Department for Public Health, said

this project was needed to support electronic information exchanges between local health departments and state offices. He referred to a handout he had distributed earlier that compared the Information Highway/Kentucky Bioterrorism Preparedness with the Interstate Highway. Representative Wayne said such comparison was helpful and thanked him for the analysis. In response to a question by Representative Wayne, Dr. Leach said that the funds will be spent on six focus areas: Preparedness (\$8,500); Epidemiology (\$280,000); Laboratory (\$268,990); Chemical/Radiation (\$14,000); Information sharing (\$1,938,510); Risk Communication (\$20,000); and Training (\$320,000).

Representative Marcotte moved to approve the three projects presented: Items A (1) – (3) under New Business. Senator Moore seconded the motion, and the motion passed unanimously by a roll call vote.

Mr. Link then provided a land acquisition report concerning property purchased by the Department for Fish and Wildlife Resources in Lincoln County. The Department has allocated \$582,000 from its Land Acquisition Pool authorized in the 2002-2004 budget to purchase 401 acres. Senator Leeper said no further action was required for the land acquisition report.

Senator Leeper called on Sandy Williams, financial analyst for the Kentucky Infrastructure Authority (KIA). Ms. Williams reported that KIA recently approved a \$4 million loan (Fund F – Federally Assisted Drinking Water Revolving Loan Fund) for the Greater Fleming County Regional Water Commission. The Commission is comprised of the Fleming County Water Association, City of Flemingsburg, Western Fleming County Water District, and Nicholas County Water District. The terms of the loan will be 1% for 30 years; annual payments will be \$164,662. The loan will be used to help pay for a \$13 million project consisting of three deep wells, a 1,000,000 gallon ground storage tank, a 500,000 gallon elevated storage tank, chemical treatment at a new plant, high service pumps, and 19 miles of ductile iron transmission main.

Senator Moore asked why ductile iron was being used. Roger Recktenwald, KIA Executive Director, said that ductile iron is often used for transmission lines in high stress areas such as under creeks and highways.

Representative Wayne moved that the KIA loan for the Greater Fleming County Regional Water Commission be approved. The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Ms. Williams then reviewed various 2020 and Fund B program grants, as well as Coal Development and Tobacco Development grants that were recently processed by KIA. There were no questions regarding these projects, and no further action was required.

The next report was provided by George Burgess, Executive Director for the Office of Financial Management. He first presented three refunding issues for universities: Morehead State University Consolidated Educational Buildings Refunding Revenue Bonds, Series M; Morehead State University Consolidated Educational Buildings Revenue Bonds, Series N; and University of Kentucky Consolidated Educational Buildings Refunding Revenue Bonds, Series E, J, L (Third Series). The three issues have the same financing team: Peck Shaffer & Williams and First Kentucky Securities Corporation.

Mr. Burgess then said his office added another funding after the initial transmittal to the Committee when the bond market on January 7 had a tremendous rally. He said at that point, his office decided this was a good opportunity to proceed on a refunding of the remaining University of Kentucky Community Colleges Educational Buildings Refunding Revenue Bonds, 1994 Series A, C, F & H (Second Series) as well as an advance refunding of a portion of outstanding bonds for the State Property and Buildings Commission Project Nos. 57, 59, 63, 64, 67, 68 (1<sup>st</sup> Series), 69A, 72 and 74. The proposed refunding, State Property and Buildings Commission Revenue Refunding Bonds, Project No. 82, is not to exceed \$450 million. The estimated net present value savings is \$13,041,817. Mr. Burgess added that the issue is scheduled for sale only if market conditions hold.

Representative Wayne moved that the four bond issues presented be approved. The motion was seconded by Senator Moore and passed by unanimous roll call vote.

Senator Leeper noted that also on the agenda were three follow-up reports for previously approved bond issues, which required no further action: Kentucky Housing Corporation Housing Revenue Bonds, 2003 Series F (Non-AMT); Western Kentucky University Consolidated Educational Buildings Revenue Bonds, Series Q; and Kentucky Economic Development Finance Authority Health Care Facilities Revenue Refunding Bonds, Series 2003 (AHF/Kentucky-Iowa, Inc.).

Senator Leeper then asked Mr. Burgess to present the new school bond issues. Mr. Burgess said there were ten school bond issues with School Facilities Construction Commission debt service participation: Allen County, Campbellsville Independent (Taylor County), Cloverport Independent (Breckinridge County), Henderson County, Hopkins County, Mayfield Independent (Graves County), Monroe County, Muhlenberg County, Scott County, and Warren County. Mr. Burgess said none of these issues required a local tax rate increase with one exception. Scott County School District recently enacted a non-recallable Growth Nickel tax to fund the issue pursuant to the 2002-04 Budget Bill.

Senator Moore made a motion to approve the ten school bond issues. The motion was seconded by Senator Rhoads and passed by a unanimous roll call vote.

Representative Wayne then briefed the Committee on the status of the Kentucky Housing Corporation bond issue deferred last month. The proposed issue was conduit financing in the amount of \$11,800,000 for the Falcon Crest Apartments Project, a new 208 unit multifamily complex to be located in Louisville. Representative Wayne said since last month's meeting, he had met with Kentucky Housing Corporation officials and the developer, and had requested additional information relating to traffic patterns, water shed studies, and market analyses. He said he had not received the requested information, and further investigation has shown this developer may have had some serious problems in other developments in metro Louisville. He thanked members for their help on this issue.

Representative Marcotte noted that unlike other budgets in recent years, the current budget does not allocate any unclaimed lottery winnings to the Affordable Housing Trust Fund, and he asked Representative Wayne how the loss of those funds had affected the Affordable Housing Trust Fund. Representative Wayne said that in lieu of the unclaimed lottery winnings, the Fund had received, as a line item in the budget, \$3 million for the current fiscal year. In addition, there is a request to sustain that level of funding in the upcoming budget. Representative Marcotte thanked Representative Wayne for his efforts on this issue.

With there being no further business, Representative Haydon made a motion to adjourn the meeting. The motion was seconded by Senator Rhoads, and the meeting adjourned at 8:35 A.M.